



KCCI - Country Wrap: Jordan (Apr.'19)



Jordan – a brief overview

Following World War I and the dissolution of the Ottoman Empire, the League of Nations awarded Britain the mandate to govern much of the Middle East. Britain demarcated a semi-autonomous region of Transjordan from Palestine in the early 1920s. The area gained its independence in 1946 and thereafter became The Hashemite Kingdom of Jordan. The country's long-time ruler, King HUSSEIN (1953-99), successfully navigated competing pressures from the major powers (US, USSR, and UK), various Arab states, Israel, and a large internal Palestinian population. Jordan lost the West Bank to Israel in the 1967 Six-Day War. King Hussein in 1988 permanently relinquished Jordanian claims to the West Bank; in 1994 he signed a peace treaty with Israel. King Abdullah II, King Hussein's eldest son, assumed the throne following his father's death in 1999. He implemented modest political and economic reforms, but in the wake of the "Arab Revolution" across the Middle East, Jordanians continue to press for further political liberalization, government reforms, and economic improvements.

Economy of Jordan

Jordan's economy is among the smallest in the Middle East, with insufficient supplies of water, oil, and other natural resources, underlying the government's heavy reliance on foreign assistance. Other economic challenges for the government include chronic high rates of poverty, unemployment, inflation, and a large budget deficit. Since assuming the throne in 1999, King Abdullah has implemented significant economic reforms, such as opening the trade regime, privatizing state-owned companies, and eliminating some fuel subsidies, which in the last decade spurred economic growth by attracting foreign investment and creating some jobs. The global economic slowdown and regional turmoil, however, have depressed Jordan's GDP growth, impacting export-oriented sectors, construction, and tourism. In 2011 and 2012, the government approved two economic relief packages and a budgetary supplement, meant to improve the living conditions for the middle and poor classes. Jordan's finances have also been strained by a series of natural gas pipeline attacks in Egypt, causing Jordan to substitute more expensive diesel imports, primarily from Saudi Arabia, to generate electricity. Jordan is currently exploring nuclear power generation in addition to the exploitation of abundant oil shale reserves and renewable technologies to forestall energy shortfalls. In 2012, to correct budgetary and balance of payments imbalances, Jordan entered into a \$ 2.1Bn, multiple year International Monetary Fund Stand-By Arrangement. Jordan's financial sector has been relatively isolated from the international financial crisis because of its limited exposure to overseas capital markets. Jordan will continue to depend heavily on foreign assistance to finance the deficit in 2013.

Key Industries of Jordan

Key industries of Jordan are clothing, fertilizers, potash, phosphate mining, pharmaceuticals, petroleum refining, cement, inorganic chemicals, light manufacturing and tourism.

Key Agricultural products of Jordan

Key agri-products of Jordan are citrus, tomatoes, cucumbers, olives, strawberries, stone fruits; sheep, poultry, dairy.

Jordan's major trading commodities and partners

Major export partners of Jordan are US 16.6%, Iraq 15.1%, Saudi Arabia 11%, India 10.5%, Indonesia 4.2% while its major export commodities are clothing, fertilizers, potash, phosphates, vegetables, pharmaceuticals. Moreover, its major import partners are Saudi Arabia 23.6%, China 9.4%, US 6.7%, Italy 4.7%, Turkey 4.6% (2012) while its key import commodities are crude oil, machinery, transport equipment, iron, cereals.

Economic Relations between Pakistan and Jordan

Jordan-Pakistan relations are the bilateral relations embedded between Pakistan and the Hashemite Kingdom of Jordan. Pakistan maintains an embassy in Amman whilst Jordan has an embassy established in Islamabad. Pakistan-Jordan contacts began in the 1970s and 1980s, growing stronger since the mid-1990s. In 2001, Pakistani leaders visited Amman to discuss full-scale cooperation. On November 2, 2007, King Abdullah II of Jordan visited Islamabad and held a formal meeting with the incumbent President of Pakistan, General Pervez Musharraf at the Aiwan-e-Sadr.

In the meeting, Musharraf and Abdullah exchanged views on the overall evolution of regional and international situations, particularly in the Middle East. Concerns over the situation in Iraq were also pointed out, including the emerging sectarian and ethnic divides, and frequent incidents of sacrilegious attacks on holy sites. The two leaders expressed satisfaction over the development of the Pakistani-Jordanian bilateral relations in various fields, especially of the cooperation levels that had successfully been established in the economic and trade segments.

Bilateral Trade Relations between Pakistan and Jordan

Pakistan's exports to Jordan in 2018 stood at \$ 34.8Mn, lower by 2.4% than \$ 35.68Mn in 2017. Imports in 2018 registered at \$ 23.5Mn lower by 25.9% than \$ 31.75Mn in 2017. Trade balance remained in Pakistan's favour, however, it increased by 187.5% from \$ 3.93Mn in 2017 to \$ 11.3Mn in 2018. In the past, many Jordanian leaders have invited Pakistani investors to look into opportunities available in the energy and power sectors of Jordan. In June 2006, an initiation for the process of negotiations in concluding Free Trade Agreement and Protection and Promotion of Investments was scheduled and set during the 8th session of the *Pak-Jordan Joint Ministerial Commission*. During the session, discussions were also made on matters regarding the overall amount of cooperation in agriculture, science and technology as well as other areas.

Trading Commodities between Pakistan and Jordan

Trading commodities between Pakistan and Jordan are Cotton, textile articles, sets, worn clothing etc., fertilizers, machinery, Salt, sulphur, earth, stone, plaster, lime and cement.

Potential for enhancing bilateral trade relations between Jordan and Pakistan

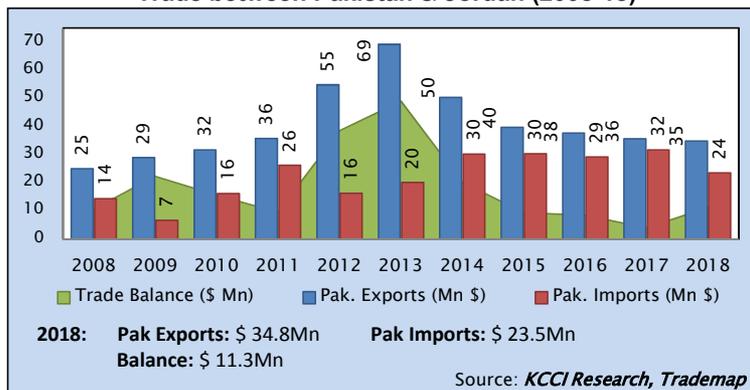
Both the countries have signed the Double Taxation Treaty (DTT). The trade can be improvised more from ~\$ 67Mn to much more. Both countries have immense potential and rightly devised strategy can help both reach the benefits in trade, investment and prosperity.

Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	87.3	89.0	1.97%
GDP per Capita	\$	9,200	9,200	0.00%
GDP growth	%	2.0	2.0	0.00%
Forex Reserves	\$ Bn	15.54	15.56	0.13%
External Debt	\$ Bn	26.38	29.34	11.22%
Exports of Goods	\$ Bn	7.509	7.511	0.03%
Imports of Goods	\$ Bn	17.14	18.21	6.24%
Trade Balance	\$ Bn	-9.63	-10.70	-11.09%
Current Account	\$ Bn	-3.69	-4.26	-15.27%
FDI - at Home	\$ Bn	0.61	0.65	5.64%
FDI - at Abroad	\$ Bn	32.15	33.83	5.23%
CPI	%	-0.8	3.30	4.10%
Prime Lending Rate	%	7.83	8.65	0.82%
Population	Mn	N/A	10.46	N/A
Unemployment	%	15.3	18.3	3.00%
Litracy Rate	%	N/A	95.4	N/A

Sources: KCCI Research, CIA Factbook

Trade between Pakistan & Jordan (2008-18)



Jordan's Trade - Commodity Wise (2018)

Top 10 Exports Items	(\$ Mn)	Top 10 Imports Items	(\$ Mn)
Apparel, knitted	1,657.1	Mineral fuels & oils	4,230.6
Fertilisers	809.8	Vehicles, not railway	1,620.0
Pharmaceutical products	667.7	Machinery & appls	1,533.8
Salt & cement	443.3	Electrical machinery & equip.	1,256.2
Inorganic chemicals	401.5	Cereals	804.0
Electrical machinery & equip.	304.6	Plastics & articles	735.1
Edible vegetables	296.5	Knitted or crocheted fabrics	586.9
Plastics & articles	270.8	Pharmaceutical products	580.4
Machinery & appls.	214.0	Iron & steel	510.2
Aircraft & parts	181.9	Meat & edible meat offal	374.9

Sources: KCCI Research, Trademap

Jordan's Trade with Pakistan - Commodity Wise (2018)

Pakistan's Exports	(\$ Mn)	Pakistan's Imports	(\$ Mn)
Knitted or crocheted fabrics	11.25	Fertilisers	13.56
Made-up textiles	4.17	Aluminium & articles	2.46
Oil seeds & oleag. Fruits	2.69	Pharmaceutical products	1.42
Sugars & confectionery	2.29	Iron & steel	1.24
Edible fruit & nuts	1.69	Inorganic chemicals	1.12
Plastics & articles	1.42	Pulp of wood	0.81
Beverages	1.06	Machinery & appls.	0.60
Commodities NES	1.04	Residues from food	0.57
Misc. manufactured articles	0.92	Vehicles, not railway	0.44
Cotton	0.74	Oil seeds & oleag. Fruits	0.43

Sources: KCCI Research, Trademap